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An Analysis of Investment Behaviour in the Selection of ULIPS and Mutual Funds in the Mumbai region

1. Introduction

The growing needs of saving for future and increase in protection requirements; along with change in lifestyles of people have resulted in increasing demand for life insurance and savings instruments. Of late Unit Linked Insurance Plans (ULIPs) have again emerged as preferred product with new regulations and variety in product offerings. On the other hand, Mutual Funds are giving easier savings options aimed at growing investor wealth by targeting market averse investors. Introduction of Systematic Investment Plans (SIPs) have led to tremendous investment in mutual funds through SIP Route. Both these products are interesting to study and have many similarities and dissimilarities as well.

1.1 Industry Snapshot

1.11 Mutual Funds

The Mutual Funds, are becoming more practicable and easy to invest in since the inception of Systematic Investment Plans (SIP). With many variations in product offerings and ease of reaching customers through banks and online channels, the growth of Mutual Funds is impressive. It's been 25 years of private mutual funds allowed in India. Monthly SIP contributions and accounts have trebled in the past two years, which suggests more people are following the disciplined investment approach that the mutual funds industry has been advocating for long. Over the past 10 years, the Indian mutual fund industry has grown at an annualised 12.5% – more than double the rate of growth clocked by the world and developed regions.

India is considered one of the preferred investment destinations globally. The Association of Mutual Funds in India (AMFI) suggests that Assets Under Management (AUM) of Indian Mutual Fund Industry as on August 31, 2021 stood at 36,59,445 crore.

The AUM of the Indian MF Industry has grown from 6.97 trillion as on August 31, 2011 to 36.59 trillion as on August 31, 2021 more than 5 fold increase in a span of 10 years.

As of now, 42 asset management companies were operating in the country. The total number of accounts (or folios as per mutual fund parlance) as on August 31, 2021 stood at 10.86 crore (108.6 million), while the number of folios under Equity, Hybrid and Solution Oriented Schemes, wherein the maximum investment is from retail segment stood at about 8.95 crore

(89.5 million). The AUM of the mutual fund industry in FY18' has grown by 27 per cent to USD 355 billion. At the end of March 2018, the assets under management of the mutual fund industry stood at Rs 21.36 lakh crore (US$ 331.42 billion). Individual investors now hold a higher share of industry's assets, i.e. 51.4% in March 2018, compared with 45.9% in March 2017. As per data from AMFI for March 2018, the individual investor seems to be more inclined towards equity oriented funds with a 85% share; 40% in debt oriented schemes , 10% in Money market/ Liquid Funds; 9% in ETFs & FoFs (Exchange Traded Funds & Fund of Funds)taken together.

Mutual fund industry AUM recorded a CAGR of 15.25 per cent over FY07–17. As per the AMFI data, the Mutual funds industry has added about 9.31 lacs SIP accounts on an average each month with average SIP size of Rs. 3150/- during FY 2018-19. The AUM of the Indian MF Industry has grown from Rs. 4.78 trillion as on 31st January, 2009 to Rs. 23.37 trillion as on 31st January, 2019, about 5 fold increase in a span of 10 years. The MF Industry's AUM has grown from Rs. 9.03 trillion as on 31st January, 2014 to Rs.23.37 trillion as on 31st January, 2019, more than 2 ½ fold increase in a span of 5 years.

1.12 Life Insurance

From its fundamental role of providing basic protection against losses, the insurance industry in India has come a long way over the last decade and a half. It has become an indispensable pillar to support India's ascent to economic prosperity and growth by accounting for risks, providing funds for nation building projects, steadying equity markets and driving social security. In the process, it continues to create significant value for all its stakeholders i.e. customers, distributors, shareholders and the insurance companies.

With the shift in consumers' mind-set, Insurance is no longer perceived as a tool to save tax, but as an important financial savings instrument. The modern policyholder is more aware and knowledgeable of his rights as the consumer. Consequently, focussing on the customer has become important for the Indian insurance industry. Insurance has now become one of the fastest growing industries in the country and is expected to grow at a compounded annual growth rate (CAGR) of 5.3% over the next five years. India's insurable population is expected to increase to 75 crore in 2020, with an average life expectancy of 74 years. The industry has set itself a target of increasing penetration levels to 5% by 2020. The disparity between the

current level and target level makes the Indian insurance market a lucrative opportunity for investors. It suggests that a huge population remains uninsured or less insured.

Modern day customer has become more aware and well informed of the choices available and his rights as well. Consequently, focussing on the customer has become important for the Indian insurance industry. There are 24 life insurance companies currently operating in India, including the oldest LIC; and 44 fund houses managing Mutual Funds. In India, the overall market size of the insurance sector is expected to US$ 280 billion in 2020.

The life insurance industry is expected to increase at a CAGR of 5.3% between 2019 and 2023. India's insurance penetration was pegged at 3.76% in FY20, with life insurance penetration at 2.82% and non-life insurance penetration at 0.94%. In terms of insurance density, India's overall density stood at US$ 78 in FY20.

The market share of private sector companies in the general and health insurance market increased from 47.97% in FY19 to 48.03% in FY20. In the life insurance segment, private players held a market share of 33.78% in premium underwritten services in FY20.

In FY22 (until May 2021), premiums from new businesses of life insurance companies in India stood at US$ 3.0 billion.

During the fiscal 2019-20, Life insurance industry recorded a premium income of 5,72,910 as against 5,08,132 crores in the previous financial year, registering a growth of 12.75 percent. While renewal premium accounted for 54.75 percent of the total premium received by the life insurers, new business contributed the remaining 45.25 percent.

1.13 Unit Linked Insurance Plans (ULIPs)

ULIP was first introduced by the Unit Trust of India in 1971. It was initially difficult for this product to be successful due to the rules and regulations and level of transparency during that time for mutual funds. Once private companies were allowed to enter the insurance market in India, ULIP was introduced as an insurance product. Major guidelines were introduced and insurance companies started selling ULIPs. But in Apr 2010, SEBI banned 14 companies from selling ULIPs. Then in June 2010, GOI decided that ULIPs will be regulated by IRDA. So now its 8 years and with major changes in guidelines, ULIPs are all set to grow and contribute to the objective of wealth generation for investors apart from providing them with insurance cover.

A unit linked insurance plan or a ULIP is a multifaceted insurance product that addresses basic needs and priorities, while providing the dual benefit of insurance and investment. It can switch from equity to a balanced fund and allows withdrawal during emergencies. Thus, a ULIP can be used as a whole life plan, an accumulation and a withdrawal plan (pension and annuity).The lack of understanding of ULIP benefits along with its myths see many investors surrendering their ULIP plan before it realizes its optimum potential. One of the main concerns with ULIP investments earlier was that the life insurance cover will eat into one's investment returns. This concern was addressed by insurers offering return of mortality charges. Due to the rising demand of ULIP, a lot of fund houses began cancelling the numerous other charges associated with the plans and instead, began increasing the scope of returns for investors. Earlier, comparison of fund performance for selecting ULIPs was futile because of the plethora of charges. With online ULIP investments carrying minimal charges, investors find it easier to compare and make informed choices.

The pandemic saw many investors preferring ULIPs. Unit-linked products (ULIPs) registered a growth of 22.72 % premium from 52845.26 crore in 2016-17 to 64850.90 crore in 2017-18. On the other hand, the growth in premium from traditional products was at 7.75 %, with premium 393958.54 crore as against 365631.36 crore in 2016-17. Accordingly, the share of unit-linked products in total premium increased to 14.13 % in 2017-18 as against 12.63 % in 2016-17. ULIPs are thus gaining back the sheen as preferred life insurance product.

The Union Budget 2021, however has capped the tax exemptions on ULIPs as follows-

If the annual premium of your new ULIP investment is more than Rs 2.5 lakh the return that you will get will no longer be tax exempt. New tax proposal makes the treatment of ULIPs which do not enjoy tax exemption similar to equity mutual funds. New ULIPs will still give tax free return to the beneficiary in case of unfortunate demise of the investor.

If you are investing within Rs 2.5 lakh annual premium limit the gain in terms of tax saving remains attractive.

This research however, aims at analysing the impact of investor attitude, perception, marketing efforts and product performance separately on the investment decision. It also tries to determine whether there exists a relationship between these three factors, and if yes; tries to establish a model showing linking these four factors.

Investor attitude The attitude is defined as the investor's mind-set to perform that behaviour. So it can be shown as the willingness to act in favour of a decision, ability, i.e., control to take the decision and social pressure to perform that behaviour. Hence the objectives are formulated to ascertain these dimensions.

Perception The investor perception is defined by the investor's outlook towards a financial product. This significantly affects the investment decision.

Marketing Efforts are considered as the impact of advertising, Sales promotion, distribution channels [online/ web selling, direct sales, agency (corporate, retail, broker)].

Product Performance is measured by the NAV, returns and growth in investment. Standard performance measures for evaluation such as Sharpe, Treynor's and Jensen α Ratio would be used.

Technology is the effect of digitalisation and translates into the ease in investing.

1.2 Conceptual Framework

1.21 Mutual Funds

A Mutual Fund is an investment option where money of several investors is pooled and is invested into equity, debt, money market instruments and other types of securities so as to earn a higher return on your investment. Just like ULIP, the investible amount in Mutual Funds is subdivided into units and is used to compute NAV on a daily basis. The funds are similarly managed by a Fund/ Portfolio Manager. The costs of investing in a mutual fund are normally termed as Load. Mutual fund companies collect an amount from investors when they join or leave a scheme. This fee is generally referred to as a 'load'. Entry load can be said to be the amount or fee charged from an investor while entering a scheme or joining the company as an investor. Exit load is a fee or an amount charged from an investor for exiting or leaving a scheme or the company as an investor.

Generally, an entry load is collected to cover costs of distribution by the company. Different mutual fund houses charge different fees as an entry load. In India, this charge was usually of about 2.25% of the value of investment. From August 2009, however, SEBI has done away with this practice of charging entry load for mutual funds.
A mutual fund can be categorised as below:

I. **Open-Ended -** This scheme allows investors to buy or sell units at any point in time. This does not have a fixed maturity date.

1. Debt/ Income - In a debt/income scheme, a major part of the investible funds are channelized towards debentures, government securities, and other debt instruments. Although capital appreciation is low (compared to the equity mutual funds), this is a relatively low risk-low return investment avenue which is ideal for investors seeing a steady income.

2. Money Market/ Liquid - This is ideal for investors looking to utilize their surplus funds in short term instruments while awaiting better options. These schemes invest in short-term debt instruments and seek to provide reasonable returns for the investors.

3. Equity/ Growth - Equities are a popular mutual fund category amongst retail investors. Although it could be a high-risk investment in the short term, investors can expect capital appreciation in the long run. If you are at your prime earning stage and looking for long-term benefits, growth schemes could be an ideal investment.

i. Index Scheme - Index schemes is a widely popular concept in the west. These follow a passive investment strategy where your investments replicate the movements of benchmark indices like Nifty, Sensex, etc.

ii. Sectoral Scheme - Sectoral funds are invested in a specific sector like infrastructure, IT, pharmaceuticals, etc. or segments of the capital market like large caps, mid caps, etc. This scheme provides a relatively high risk-high return opportunity within the equity space.

iii. Tax Saving - As the name suggests, this scheme offers tax benefits to its investors. The funds are invested in equities thereby offering long-term growth opportunities. Tax saving mutual funds (called Equity Linked Savings Schemes) has a 3-year lock-in period.

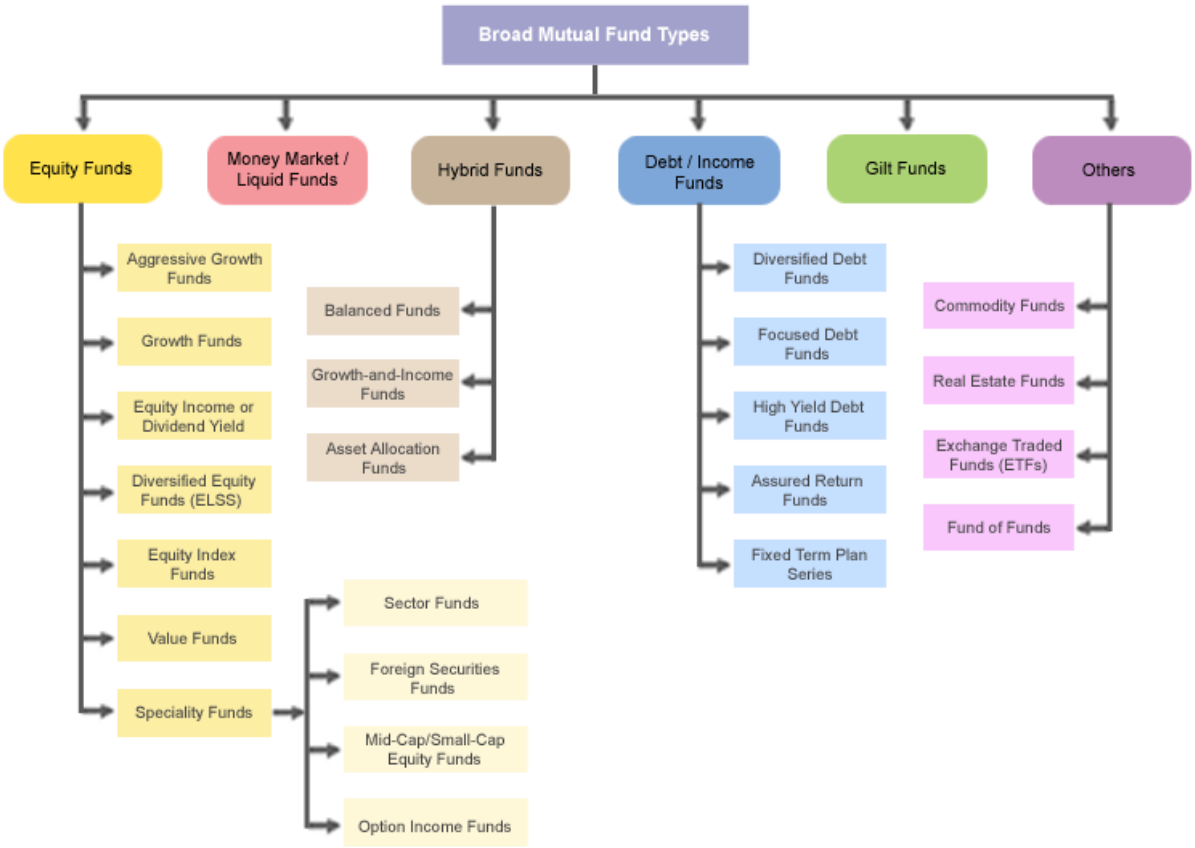
4. Balanced - This scheme allows investors to enjoy growth and income at regular intervals. Funds are invested in both equities and fixed income securities; the proportion is pre-determined and disclosed in the scheme related offer document. These are ideal for the cautiously aggressive investors.

II. Closed-Ended - In India, this type of scheme has a stipulated maturity period and investors can invest only during the initial launch period known as the NFO (New Fund Offer) period.

1. Capital Protection - The primary objective of this scheme is to safeguard the principal amount while trying to deliver reasonable returns. These invest in high-quality fixed income securities with marginal exposure to equities and mature along with the maturity period of the scheme.

2. Fixed Maturity Plans (FMPs) - FMPs, as the name suggests, are mutual fund schemes with a defined maturity period. These schemes normally comprise of debt instruments which mature in line with the maturity of the scheme, thereby earning through the interest component (also called coupons) of the securities in the portfolio. FMPs are normally passively managed, i.e. there is no active trading of debt instruments in the portfolio. The expenses which are charged to the scheme, are hence, generally lower than actively managed schemes.

III. Interval - Operating as a combination of open and closed ended schemes, it allows investors to trade units at pre-defined intervals.



Source : Hickman Higgins Website Project

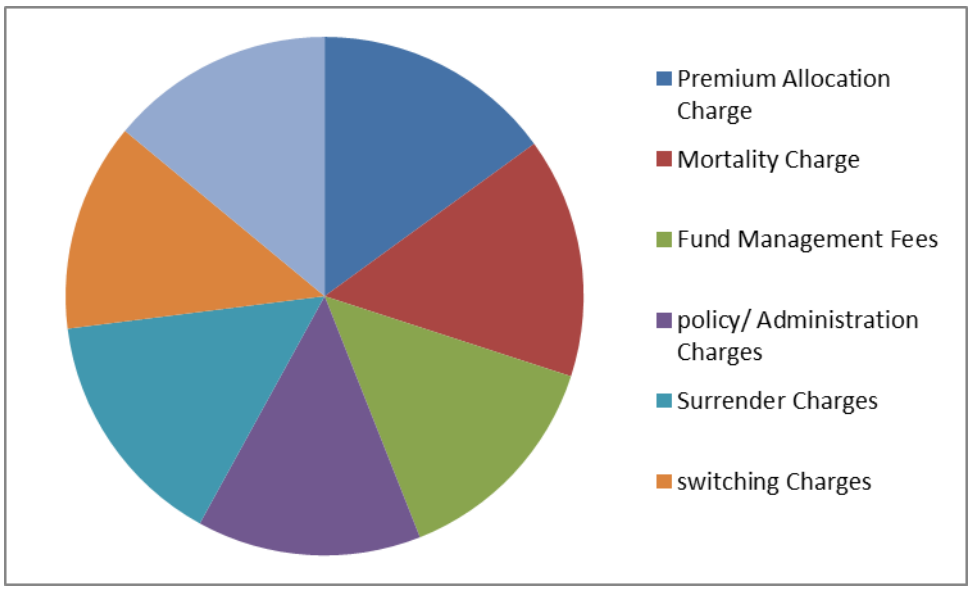
1.22 Unit Linked Insurance Plans (ULIPs)

A unit linked insurance plan is a market linked insurance product that comes with an insurance cover; for regular payment in the form of premiums. A part of the premium goes towards providing the life cover and remaining amount after deducting charges is invested in equity or debt funds. The funds would be chosen by consumer and is allowed to change the fund preference by means of allowing Fund switching option. The premium payment term could also be variable and an Accidental Death or Disability Benefit is also incorporated on payment of additional premium. The part of investible premium is sub divided into Units and is called as the Net Asset Value. This is affected by market movement and therefore is calculated on a daily basis.

As per the New IRDA guidelines, the ULIPs have become the most transparent financial instrument and perhaps the only instrument that comes with Selling Guidelines. Everything is disclosed to the consumer including the commission paid to advisors. Also now the lock-in period is increased to 5 years, so as to make it a long term investment product. Those consumers gain from ULIPs who stay invested in a longer term. The investment is monitored and operated by a Portfolio Manager/ Fund Manager. Moreover the entire fund value and investments in ULIP are Tax free. Following charges are applicable to a ULIP:

1) Premium Allocation Charge - This is a percentage of the premium appropriated towards charges before allocating the units under the policy. This charge normally includes initial and renewal expenses apart from commission expenses.
2) Mortality Charges - These are charges to provide for the cost of insurance coverage under the plan. Mortality charges depend on number of factors such as age, amount of coverage, state of health etc.
3) Fund Management Fees - These are fees levied for management of the fund(s) and are deducted before arriving at the Net Asset Value (NAV).
4) Policy/ Administration Charges - These are the fees for administration of the plan and levied by cancellation of units. This could be flat throughout the policy term or vary at a pre-determined rate.
5) Surrender Charges - A surrender charge may be deducted for premature partial or full Fund Switching Charge - Generally a limited number of fund switches may be allowed each year without charge, with subsequent switches, subject to a charge.

6) Tax Deductions - Before allotment of the units the applicable GST is deducted from the risk portion of the premium.



2. Literature Survey

Review of existing literature was conducted using journals, available both in published format and electronic format. Some doctoral theses available through the web portal Shodhganga were also reviewed. The review included work done in mutual funds and ULIPs separately. Few comparative papers were also included. The papers related to Attitude, Investor Behaviour, Factors Responsible for Investment Decisions, Performance and Marketing Efforts each were taken into consideration.

The classified literature reviewed is given below:

2.1 Comparative Studies on ULIPs and Mutual Funds

Mitra and Khan (2012) did a comparative study of traditional Life Insurance policies v/s ULIPs offered by select companies in India. They observed the evolution of ULIPs in India, the growth of ULIPs over traditional Policies, risk factors involved in ULIPs over traditional policies and to suggest various measures to develop and stabilize the growth of ULIPs. A comparative study of investors perception towards mutual Funds and other investment avenues was done by Bansal, Sandeep (2014).

P Rai & Kenneth AB (2016) have done a comparative analysis of Mutual Funds and ULIPs wherein they have analysed awareness, popularity and various parameters towards investment in ULIPs and Mutual Funds. Devi, Dr. Kabirdoss (2018) does a comparison of ULIPs and Mutual Funds in terms of cost and returns. The researcher does an attempt to check the best avenue based on various parameters involved.

2.2 Investor Behaviour

Noel Capon et al, (1996) have done an individual level analysis of investment in mutual funds. It suggests that many investors are naïve, though when we group them together on the basis of similarity of investment decision process, as a group they tend to appear as knowledgeable. They individually consider many non-performance related variables. Rangnathan, Kavita (2006) conducted an in depth study on fund selection behaviour of individual investors towards mutual funds. This study was based in Mumbai City Only. This is a very good study based on behavioural finance. This study has made an attempt to examine the related aspects of the fund selection behaviour of individual investors towards Mutual funds, in the city of Mumbai. This study has made an attempt to examine the related aspects of the fund selection behaviour of individual investors towards Mutual funds, in the city of Mumbai.

Dr. Bhagaban Das et al (2008) have thrown light on the selection behaviour of Indian retail investors towards mutual funds and life insurances particularly in post-liberalization period. With this background, their paper made an earnest attempt to study the behaviour of the investors in the selection of these two investment vehicles in an Indian perspective by making a comparative study.

Bailey et al (2010) tested whether behavioural biases explain why the use of mutual funds varies substantially across individual investors and often departs from the simple strategies suggested by classic theories. They examined the effect of behavioural biases on the mutual fund choices of a large sample of U.S. discount brokerage investors using new measures of attention to news, tax awareness, and fund level familiarity bias, in addition to behavioural and demographic characteristics of earlier studies. According to their study, Behaviourally-biased investors typically make poor decisions about fund style and expenses, trading frequency, and timing, resulting in poor performance.

Dr. Singh, Binod Kumar (2012) did a study of investors attitude towards Mutual Funds. He did compare mutual funds with investments in banks also and studied demographic factors and their impact on investment decision. Ranking and Chi-square methods were used.

Nazzar Hussain(2013), has studied determinants of investment in ULIPs taking 5 companies and with special reference to Trichy. He has found that all the measured variables have positive relationship. Charles A and Kasilingam R.(2016) studied the impact of behavioural factors on investment decisions of Equity investors. They identified six behavioural factors from literature and developed a conceptual model by using SEM approach. The factors have shown considerable influence on investors decisions. The factors broadly were emotional, personality, heuristic and gambling. Chaitra S.B., Chakraborty Suman (2017) have studied 30 research papers and two thesis papers on perception of Mutual Fund investors. This paper analysed factors while investing in and while withdrawing from mutual fund.

Prabhavathi Y, Krishna Kishore N T (2013) conducted a study on attitude, awareness and preferences of mutual fund investors. The study was conducted in Hyderabad, Chennai and Bangalore cities. V. Rathnamani (2013) concluded that many investors prefer to invest in mutual funds in order to have high return at low level of risk, safety and liquidity. Statistical tools such as Chi-square test, Pearson Correlation, cross tabulation were used in the study.
Sehdev Razia, Pranav Ranjan (2014) have studied preference and perception of investors towards mutual fund. They identified the factors responsible for the preference for mutual funds as an investment option. The study also examines the investment objectives undertaken by investors while investing in Financial Instruments and finds out the highly used/preferred source of information for various investments options to invest in their most preferred Financial Instrument.

Prasanna Kumar S. & Rajkumar S.(2014) in their study on awareness and knowledge of mutual funds in Chennai found that the demographic pofile of investors does matter to generate awareness and knowledge about mutual funds. Also the investors in Chennai were aware and had good knowledge about mutual funds. The sample chosen in this study was 250 graduate investors. One way ANOVA was used.
Buchiyah M (2015) in his thesis used Percentage Method, Chi-square test, Garret Ranking, Correlation, Kolmogorov-Smirnov Z test and Factor Analysis to understand, examine and analyse perceptions of individual investors towards mutual funds in terms of general and specific factors such as perceptions on investment avenues, fund related, fund sponsor related

factors and service related issues. The study found that most of the investors belong to 31-40 years category which constitutes 63.0 per cent. It also confirms the male domination on investment decisions. It also reaffirmed that fixed deposits and gold were most preferred investment avenues among individual investors. Mutual funds occupied fourth place in the order of preferred investment avenues.

Aarathy B et al (2015) researched retail investors to find out factors affecting investment in mutual funds as well as those preventing them from mutual fund investing. Investors perception and preference for mutual funds was also studied. Sample size was 200 investors from Ernakulam and Trivandrum. It finds that most of the investors take expert advice for investing. As per the researchers, the factors favourable factors for a retail investor to invest in mutual funds are identified as tax benefit, return potential, liquidity, low cost and transparency. The non-favourable or discouraging factors for them are bitter past experience, difficulty in selection of schemes, lack of confidence in service being provided and inefficient investment advisers.

The Perception of Individual Investors towards the Performance of Mutual Funds was also studied by Reddy Praveen Kumar C & Prof. A. Sudhakar, (2016) . It involved the small and household investors in twin cities of Hyderabad and Secunderabad. Sample size was 200 and statistical tools like tabulation, percentage, ranking and Chi Square test were used. The key findings were that the demographic profile of the investors has significant impact on the investing decisions and bank deposits are still preferred among all investments. Also the investors are interested to invest in mutual funds based on a combination of return, safety, liquidity, profitability and tax benefits provided by the schemes.

Boda, & Sunitha (2018) analysed the psychological and emotional factors on the market movements focusing on the rationality of investors to explain the psychological effects of investing. For achieving this they have used methods of analysis and synthesis, description and comparison.

Behavioural psychology comprises of heuristics biases (including representativeness, availability and anchoring,) and cognitive bias (over-confidence, over-reaction and herd effect). In contrast to the traditional finance theories, psychological biases can provide explanations and solutions to the market anomalies to some extent.

2.3 Product Performance

Rao (2003) did the performance evaluation of mutual funds in a bear market and his results suggested that most of mutual funds have given excess returns over expected return. Dash, Lalremtluangi, Atwal and Thapar (2007) tried to find out rate of return given by different insurance policies and the effect of mortality. They found that different returns are given by different insurance policies and the mortality does not affect return. Khurana (2009) made a comparative analysis of performance of ULIPs of private sector companies and found that there is no significant difference between the performances of pension funds-growth of selected insurance companies.

Devasenathipathi, Saleendran and Shanmugashundaram (2008) found that due to changes in LPG policies, preferences of people are changing. Therefore a wide range of ULIPs products is being offered to customers according to their preferences. Prasad, Babu, Chiranjeevi and Rao (2009) found that in spite of various investment opportunities, ULIPs have gained more reputation among the investors. Korivi and BS (2009) examined that mutual funds offered customer-tailor products to suit investors' requirement. Therefore insurance companies also offered ULIPs which is an insurance product with an investment fund wrapped around it.

Duggimpudi et al (2010) have evaluated equity diversified mutual funds in Indian Market. Two different overlapping data sets have been used in this paper, from 2000 to 2009, covering seventeen mutual funds. They used three techniques, namely, the Treynor, the Sharpe and the Jensen techniques. A subsidiary aim is to analyse the relationship between risk and return of these funds based on total risk and systematic risk. The results were compared with BSE Sensex. The results indicate a positive relation between risk and return of these mutual funds. Also, beta values are less than one in the selected sample. Furthermore, there is evidence of higher actual returns compared with expected returns over the selected period(s).

Samajpati, Udayan (2012), has evaluated the performance of ULIPs through Risk-Return Analysis, Treynor's Ratio, Sharpe's Ratio and Jensen's Measures. He analysed select ULIP schemes of three insurance companies and found that all of them have outperformed the market index. Nagarajan et al (2013), have conducted a descriptive study on Unit Linked Insurance Plans in India. They took top 5 private life insurance companies which were Reliance Life, SBI Life, ICICI Pru Life, Bajaj Allianz and MetLife. Their objective was to compare the ULIPs of these companies and to check their performance against competition. This was done by RoR and annualised RoR methods and Correlation with t-test was used for hypothesis testing. From the study it was concluded that product from Reliance Life was giving better performance as far as returns to customer was concerned.

Sanningammanavara K., (2013), again studied ULIPs launched by 5 life insurance companies, Bajaj Allianz, Reliance Life, ICICI Pru-Life, SBI Life and Met Life. He also used RoR and Annualised RoR for data analysis, and correlation with t-test for Hypothesis Testing. Results were similar, that MetLife gives better returns than all others chosen for study. Reliance was at no. 2 position. However, out of the four objectives, the researcher has only dwelt on the fourth. How returns were calculated is not clear.

Choudhary Dr Vikas, and Chawla Preeti Sehgal (2014) did a performance evaluation of growth oriented equity diversified schemes on the basis of return and risk evaluation. The analysis was achieved by assessing various financial tests like Average Return, Sharpe Ratio, Treynor Ratio, Standard Deviation, Beta and Coefficient of Determination (R2). The period of this study was for 8 Years (2005-2013) and used 8 mutual funds. The findings were that all the sample mutual funds have outperformed under Sharpe Ratio as well as Treynor Ratio.

Gupta (2015) analysed 30 ULIPs of different companies, by measuring their insurance & investment content. Mortality Adjusted Rate of Return (MAROR % p.a.) and Unadjusted Rate of Return (UAROR % p.a.) were calculated.. The difference between the two returns was calculated and analyzed for all ULIPs (both Type I & II) across different entry ages and policy terms. According to him, ULIP is not sustainable in the future in its current form & design. Bhanage (2015), have studied ULIPs of Reliance Life, ICICI Pru-Life, Met Life, Bajaj Allianz and SBI Life in Pune City using 200 consumers. The outcome of their study was that Met Life gave better returns as compared to their competitors, whereas Reliance Life was at second best in performance.

Kakandikar, Rishikesh M. (2017) observes that the private sector mutual funds have outperformed those studied in public sector. He also observed that mutual funds are preferred as an investment when compared with other avenues such as gold, stock market, fixed deposits etc. He found growth and dividend schemes to be popular in investing public. Further he found the returns and dividends both to be equally favourite performance measures in investors for taking a decision. Dr Raghu Anand (2017) did a research intending to understand and evaluate investment performance of selected mutual funds in terms of risk and return. The statistical tools used were CAGR (Capitalized annual growth rate), Alpha, Beta, Standard deviation and Sharpe's Ratio. The research has been confined to the various mutual fund schemes of SBI and HDFC and investment options and returns available to Indian investors.

Vanaja V (2018) analysed 277 Indian and foreign mutual funds including Money Market Mutual Funds. She used the measures of Jensen and Fama along with Sharpe and Treynor's measures. The researcher observed majority of schemes have outperformed the scheme averages. Standard deviation was used to measure deviation from market averages. Sridevi, O.V.A.M. (2018) did performance analysis study of select mid cap and small cap funds using measures such as Average Return, Sharpe Ratio, Treynor Ratio, Jensen's Ratio, Standard Deviation, Beta and Alpha. This study was conducted for a period of 1 year.

2.4 Other Aspects

Singh Manvendra Pratap et al (2011) researched the important aspects of life insurance marketing activity from a services perspective. The researchers studied all the 7 Ps of service marketing. They highlighted the contemporary issues and challenges facing the life insurance companies in product marketing.

Gatzert et al, (2011), have undertaken a research on investment guarantees in Unit Linked Insurance Policies. This relates to the minimum guaranteed amount to be paid to the consumer, even if the underlying fund falls below it. The research has analysed valuation of investment guarantee from the customers' viewpoint and found it difficult to compute a subjective willing to pay price for the customers.

Seth (2012) analysed the current insurance scenario in India, in terms of challenges to the insurance industry, reasons behind rise and fall of ULIP sales post liberalisation. He found that product limitations in terms of assured returns, mis-seling by advisors, lack of customer knowledge in fund selection to be the factors behind fall. Saravanakumar and Mahadevan (2012), have analysed various facets of ULIPs, including its working, benefits, various charges, and have highlighted its various outstanding features and benefits. They emphasize on the exclusivity and innovations done while designing ULIPs which make them altogether different from any other investment options.

Nine behaviour biases that occur in financial decision making were discussed by Marchand Maartje (2012) on his research on Behaviour biases in financial decision making. The researcher highlighted four behavioural phenomena such as prospect theory, overconfidence, disposition effect and narrow framing. His findings suggest that investors not always act in a rational manner due to the cognitive and psychological errors they have to deal with. They are

influenced by behavioural factors that are important in financial markets because they influence the investors who make the financial decisions.

Haslem, John A (2012) studied mutual funds in relation to advertising and behavioural issues. The research analyses advertising in context of various factors such as performance, expenses, emotions and choice, education, knowledge, price and performance sensitivity. Halan, Monica et al, (2013), have done a fantastic work by estimating losses due to mis-selling of ULIPs over 2004-05 to 2011-12 period. They used two approaches to calculate the losses- one by using the no. of lapsed policies from the IRDA website, and second; by using data of premium payments by individual insurance companies' websites. The loss estimates by both the methods were similar, to the tune of Rs. 1.5 trillion.

In an interesting study on Beliefs and Investing in the context of Socially responsible Investing; Brimble, Mark et al (2013) concluded that those who are more religious are no more likely to invest in SRI, and that the level of importance placed on SRI and financial criteria are similar in most instances for the more and less religious. In addition, women who are religious place more importance on conservative general investment criteria than less or non-religious women. Despite the advertising and all the marketing efforts, people buy life insurance primarily as a savings instrument, as revealed in a research by Deshmukh, Sandeep et al (2015) in Nagpur city. Among the 7 reasons identified by them for buying life insurance, Wide Risk Coverage comes on second no.

Mistry D and Singh G (2015) have investigated the determinants of maturity benefits of ULIPs in India. They have used time series analysis to study the relationship between the maturity benefits of ULIP products and variables such as allocation charge, mortality charge, policy admin charge and fund management charge. They used Endowment, Wealth and Child plans of ULIPs to find out this relationship.it concludes that the various charges viz. allocation charge, mortality charge, admin charge and fund management charge significantly influence the maturity benefit of ULIP products.

3. Rationale of Proposed study

The life insurance and Mutual funds both are very important investment avenues to provide protection as well help generating wealth to the investor for his/her growing needs. While reviewing the available literature, there are many studies on behavioural finance, mutual funds, factors for investment and performance of ULIPS as well as mutual funds.

None of the reviewed literature has considered these aspects.

Apart from behaviour, marketing efforts and product performance are equally important for an investor to make a decision. So these two products which have many similarities and dissimilarities needed to be analysed together keeping these three influencing factors together. This shall help the insurers, the fund houses and the investor in making a rational decision.

Since studying all the behavioural aspects was not possible, attitude and perception being the most important attributes in decision making are taken.

Another salutary development is increasing digitalisation and technology adoption enhancing investor convenience. The government and the regulator have played a part in this, especially through their financial inclusion efforts. A third objective is to find out the impact of technology on investments in ULIPs and Mutual Funds.

4. Objectives of the Study

There are following major objectives of this research:

1. To study the investment pattern of ULIPs and Mutual funds

2. To understand investment behaviour in the selection of ULIPS and mutual funds in the Mumbai region

3. To identify the role of ULIPs and Mutual funds in the financial growth of investors

4. To assess the impact of demographic factors in the investment behaviour

5. To ascertain the effect of digitalisation on investment behaviour

6. To determine the components of investment behaviour in the selection of ULIPS and mutual funds

7. To analyse the components of investment behaviour in the selection of ULIPS and mutual funds

8. To develop the strategies in the selection of ULIP's and Mutual Funds

5. Hypothesis

Following Null and alternate Hypotheses are formulated to test the objectives:

H_{o1}: There is no significant difference in the investment behaviour in ULIPs and Mutual funds by demographic factors

H_{a1}. There is a significant difference in the investment behaviour in ULIPs and Mutual funds by demographic factors

H_{o2}: The investment behaviour of ULIPs and Mutual funds is not affected by the demographic factors

H_{a2}. The investment behaviour of ULIPs and Mutual funds differ by the demographic factors

H_{o3}: There is no significant effect of digitalisation on investment behaviour

H_{a3}: There is a significant effect of digitalisation on investment behaviour

H_{o4}: There is no strong association between investor attitude and investment decision

H_{a4}: There is a strong association between investor attitude and investment decision

H_{o5}: There is no strong relationship between investor perception and investment decision

H_{a5}: There is a strong relationship between investor perception and investment decision

H_{o6}: There is no significant relationship between marketing efforts and investment decision

H_{a6}: There is a significant relationship between marketing efforts and investment decision

H_{o7}: There is no strong relationship between product performance and investment decision

H_{a7}: There is a strong relationship between product performance and investment decision

H_{o8}: There is no significant effect of Attitude, Perception, Marketing Efforts, Product performance and Technology on investment decision.

H_{a8}: There is a significant effect of Attitude, Perception, Marketing Efforts, Product performance and Technology on investment decision.

6. Research Methodology

1) Research Design: Research refers to the systematic method consisting of enunciating the problem, formulating a hypothesis, collecting the facts or data, analysing the facts and reaching

certain conclusions either in the form of solutions towards the concerned problem or in certain generalizations for some theoretical formulation. The study is descriptive in nature, thus it follows descriptive research design because it studies the attitudes of respondents on digital transformation by collecting their profile

2) Data Collection: Both primary and secondary data collection methods will be used.
a) Primary data collection method and structured questionnaire will be used and data collection techniques will assist to bring the real insight to understand the research problem at various levels. Respondents will be screened and inclusion was purely on the basis of their knowledge about Financial Markets, Insurance and Mutual Funds in particular.

Quantitative type of research will be applied by using the questionnaire, testing on a population of all adults who earn and invest. Before conducting the actual research, pilot testing will be done by taking 15 professional individuals for the purpose of checking the reliability of the questionnaire. Hence, the primary data on dependent and independent variables will be collected.
b) Secondary data will be collected from allied sources like internet, newspapers, reference books, RBI Reports, other industry reports etc. The secondary data will be used to select the top performing mutual funds and ULIPs so as to analyse their performance in comparison with the market index.

3) Questionnaire Design: The questionnaire will be designed by using both measurement and rating scales. The measurement scales include nominal scale, ordinal scale and interval scale. Nominal scale has been used to understand the profile of the respondents like type of bank, age, experience, marital status, education, gender and salary.
Ordinal scale is a ranking scale used to rank the attributes for investor behaviour. Interval scale is used as an attitude measurement scale on 1 -5, 1 = Extremely unimportant to 5 = Extremely important. In this study, interval scale is used to determine the importance of investment decision in mutual funds and ULIPs.
Likert rating scale is used as a rating scale used to indicate the agreement or disagreement on a series of statements related to change, innovation and digital transformation on 1 – 5, 1 being Strongly disagree and 5 being Strongly agree.

4) Sample Design:

a) Total Population: The population for this study is all the adults with paying capacity and those who invest in
b) Sample Size: The Sample size out of the total population would be approx.500 to 700 from the population.
c) Sampling Unit: Any person who is earning and investing.
d) Sampling Technique: A non-probabilistic sampling technique

e) Sampling Method: Convenient sampling technique will be applied to determine the sample size from the data collected from respondents. This is because the population is widely scattered and the response shall be collected from places where the respondents are available.

6.1 Statistical Tools

The following statistical tools have been used to study the impact of change and innovation on digital transformation of private and foreign banks in Mumbai like

1. Chi Square
2. Pearson Correlation
3. Multiple Regression Analysis
4. Factor Analysis
5. Reliability Analysis
6. Structural Equation Modelling (SEM)
7. Simple Percentage Method

1) **Chi-Square** is called as goodness-of-fit test. It is used to test how observed frequencies differ from expected frequencies. Chi-Square test between two variables has been used to find out the symmetric association between the variables.

2) **Pearson Correlation** is a bivariate analysis which is used to determine the degree of association between the variables. It is also used to determine the strength and relationship between the variables. It is denoted by r called as Correlation Coefficient. The value of ranges r from +1 to -1 [+1 indicates positive correlation, -1 indicates negative correlation]. If the value of r is between [0.75 to 1 (it is high association), 0.5 to 0.74 (moderate association), less than 0.5 (low association].

3) **Multiple Regression Analysis** has been used to test the effect of independent variables on dependent variable. This allows researchers to assess the strength of the relationship between an outcome (the dependent variable) and several predictor variables as well as the importance of each of the predictors to the relationship, often with the effect of other predictors statistically eliminated.

4) **Factor Analysis** is a multi-variate analysis used to test the variables simultaneously. It is used in data reduction and data summarization. Exploratory Factor Analysis is conducted to validate constructs that will help to evaluate factors which influence the growth of digital payment in the respondents. Principle Component Analysis will be employed for extracting the factors, their Eigen values, percentage and cumulative percentage of variance.

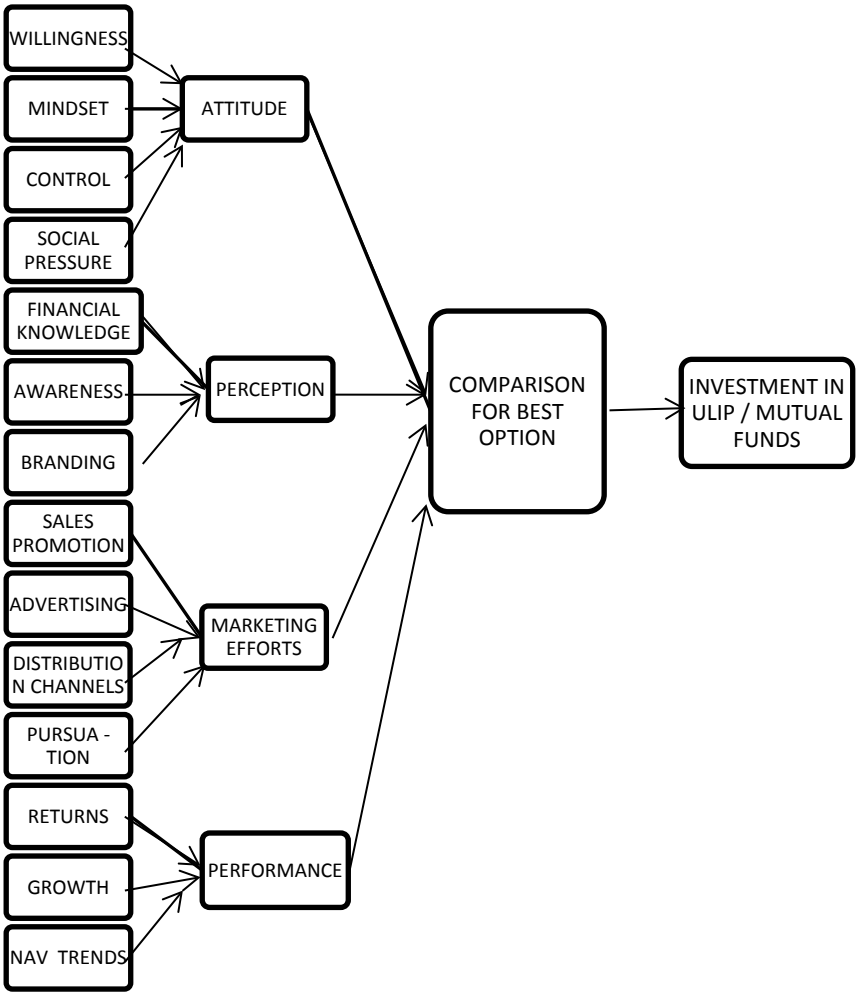
The model emerging from Exploratory Factor Analysis (EFA) is further validated through Confirmatory Factor Analysis (CFA) and will be tested using appropriate tools. The model fit could be assessed using SEM. SEM is a model analysis technique consist of covariance structure analysis, latent variable analysis, confirmatory factor analysis, path analysis and linear structural analysis. SEM is also useful because it can estimate “a series of separate, but interdependent, multiple regression equations simultaneously” in a specified structural model

(Hair et. al.,2006). SEM is the most suitable analysis to estimate the strength of causal relationship of these constructs.

5) **Reliability Analysis** has been used to test the internal consistency among the variables. Factor Analysis is a multi-variate analysis used to test the variables simultaneously.
6) **Structural Equation Modelling (SEM)** has been used to test the equations of multiple regressions simultaneously.

7) **Simple Percentage Method** has been used where a percentage is used to determine relationship between the data series

6.2 Proposed Model



7. Significance of the Study

This research will contribute to the literature in 4 ways:

1) Analyses the two important investment avenues ULIPS and Mutual Funds together
2) Linkage of marketing , performance, technology and behavioural aspects
3) An important insight for the people associated with product design, marketing and technology, as to what the investor needs.
4) Mumbai being a commercial capital with a mix of people from different parts of the country; the results could be generalised with suitable modifications.

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